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SUBJECT: SINGAPORE CONSIDERS BUILDING LIQUEFIED NATURAL GAS
TERMINAL

¶1. Summary: Singapore expects to decide by year's end whether to construct Southeast Asia's first liquefied natural gas (LNG) import terminal. The GOS hopes that the US\$500 million project would help diversify the country's natural gas sources and prevent potentially disruptive shutdowns, which have occurred in the past. If built, officials from Singapore's Energy Market Authority (EMA) anticipate the LNG import terminal will commence operation in 2012. End Summary.

Need to Diversify Natural Gas Sources

¶2. Singapore currently imports all of its natural gas (approximately 800 million cubic feet per day) via pipelines from Indonesia and Malaysia. This gas provides 70 percent of Singapore's electricity needs; oil-fired steam plants supply the remainder. While Singapore has gas service agreements (GSA) with both Malaysia and Indonesia, GOS officials worry that Indonesia, which provides 80 percent of Singapore's natural gas needs, might not renew the existing GSA (set to expire in 2022), due to its increasing domestic energy requirements. The proposed terminal's throughput capacity of approximately 300 million cubic feet per day would allow Singapore to source about 50 percent of the current Indonesian supply from other countries.

Minimizing Service Disruption

¶3. Singapore views an LNG terminal as a means to reduce the risk of severe service disruptions in its energy sector. During a June 2004 incident, 30 percent of Singaporeans lost power when generating facilities failed to switch to backup diesel reserves in a timely manner after a pipeline gasket failed, shutting down the gas supply. ConocoPhillips--which was fined US\$ 1 million after the EMA determined it was at fault for the power failure--and EMA representatives have told us that the LNG terminal and natural gas pipeline systems would be closely integrated to prevent similar blackouts.

Where to Build?

¶4. Tokyo Gas Engineering (TGE) recently submitted the results of a project feasibility study to the EMA, which is currently reviewing the findings and will shortly deliver its final recommendations to Singapore's Cabinet. An EMA official told us that he expects the Cabinet to make a decision within six months. If approved, the official said construction of the LNG facility most likely should commence in 2009.

¶5. TGE has identified three possible locations for the terminal, one of which is offshore. GOS officials, however,

will not comment on the preferred location at this time. Given Singapore's small size and dense population, constructing the terminal offshore could help allay safety and security concerns, reduce pressure on limited land resources, and allow for more efficient vessel access. An offshore facility could, however, further congest Singapore's already crowded shipping lanes.

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